

Message Text

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PAGE 01 MANILA 12865 160348Z

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ACTION TRSE-00

INFO OCT-01 EA-11 ISO-00 SS-20 L-03 NSC-10 CIAE-00 INR-10

NSAE-00 PA-04 RSC-01 USIA-15 PRS-01 SPC-03 EB-11

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FM AMEMBASSY MANILA

TO SECSTATE WASHDC PRIORITY 9200

INFO AMEMBASSY SAIGON PRIORITY

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USADB

FOR NAC AGENCIES

E.O. 11652: ADS, DECON 2/28/74

TAGS: EAID, EFIN, VS

SUBJ: PROPOSED ADB TECHNICAL ASSISTANCE TO VIETNAM FOR
RUBBER REHABILITATION PROJECT

SUMMARY: ADB MANAGEMENT PROPOSES \$84,000 EQUIVALENT
TECHNICAL ASSISTANCE (TA) GRANT TO REPUBLIC OF VIETNAM
TO FINANCE FOREX COST OF TA TO GOVT OF VIETNAM (GVN)
FOR DETAILED PROJECT FORMULATION FOR REHABILITATION
IN FIVE PROVINCES NORTH OF SAIGON OF ABOUT 20,000
HECTARES OF RUBBER PLANTATIONS INVOLUNTARILY RETIRED
AS RESULT OF HOSTILITIES. USADB RECOMMENDS
FAVORABLE NAC ACTION.

1. ADB DOC R96-73 DESCRIBING PROPOSED TA GRANT POUCHED
ADDRESSES NOV 14. BOARD CONSIDERATION SCHEDULED DEC 4.

2. ADB MANAGEMENT PROPOSING \$84,000 TA GRANT TO
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REPUBLIC OF VIETNAM. PROCEEDS WILL FINANCE FOREX COST

FOR TEAM OF CONSULTANTS TO FORMULATE PROJECT, COVERING TECHNICAL, ECONOMIC AND INSTITUTIONAL ASPECTS, FOR REHABILITATION OF 20,000 HECTARES OF WAR AFFECTED RUBBER PLANTATIONS IN FIVE SELECTED PROVINCES OF BINH-DUONG, LONG KHANH, PHOU-C-LONG, PHUOC-TUY AND BIEN-HOA, ALL WITHIN 100 KM RADIUS OF SAIGON. GVN HAS AGREED TO PROVIDE REQUIRED LOCAL SERVICES AND FACILITIES AND CAPABLE COUNTERPART STAFF.

3. PRIOR TO WORLD WAR II, NATURAL RUBBER WAS MOST IMPORTANT INDUSTRIAL CROP IN VIETNAM, WITH PRODUCTION AMOUNTING TO 50,000 TONS. PRODUCTION IN POSTWAR PERIOD EXPANDED, REACHING 80,000 TONS IN 1962. DURING THIS PERIOD RUBBER WAS COUNTRY'S MOST IMPORTANT FOREIGN EXCHANGE EARNING CROP. HOWEVER, AS RESULT OF CONTINUOUS HOSTILITIES IN PAST SEVERAL YEARS, PRODUCTION DECLINED TO 20,000 TONS IN 1972. WHILE MOST PLANTATIONS ARE LARGE FOREIGN-OWNED ESTATES, THERE IS LARGE NUMBER OF SMALLHOLDINGS OWNED BY VIETNAMESE NATIONALS.

4. PRICES OF NATURAL RUBBER DECLINED IN 1960'S DUE TO LOWER SYNTHETIC RUBBER PRICES. HOWEVER, RECENT PRICE INCREASES OF SYNTHETICS AND TOTAL DEPENDENCE OF SYNTHETIC RUBBER ON AVAILABILITY AND PRICE OF CRUDE OIL HAVE IMPROVED PROSPECTS FOR NATURAL RUBBER. DEMAND FOR NATURAL RUBBER PRODUCTS ALSO EXPECTED TO INCREASE AS RESULT OF CONCERN WITH WATER AND AIR POLLUTION PROBLEMS IN INDUSTRIALIZED COUNTRIES. ADDITIONALLY, NATURAL RUBBER PRODUCERS CONSIDER THAT MARKETING POSITION OF RUBBER WOULD BE FURTHER IMPROVED THROUGH DECLINING COSTS OF PRODUCTION DUE TO HIGHER YIELDS PER HECTARE AND BETTER QUALITY PRODUCTS.

5. IF VIETNAM IS TO BENEFIT FROM THIS ANTICIPATED FAVORABLE TREND FOR EXPANDED PRODUCTION OF NATURAL RUBBER, IT IS NECESSARY THAT MODERN TECHNOLOGY BE USED. AT PRESENT, ABOUT 50 PERCENT OF RUBBER TREES ARE OLDER THAN 40 YEARS (COMPARED WITH A NORMAL LIFE SPAN OF 30 YEARS) WHILE MODERN RUBBER TECHNOLOGY DEVELOPED IN MALAYSIA HAS NOT BEEN APPLIED IN VIETNAM.

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PAGE 03 MANILA 12865 160348Z

6. GVN ACCORDS HIGH PRIORITY TO REHABILITATION AND DEVELOPMENT OF RUBBER ENTERPRISE. EIGHT YEAR POSTWAR RECONSTRUCTION PROGRAM (1973-1980) INCLUDES REHABILITATION PROGRAM FOR 38,000 HECTARES OF INVOLUNTARILY RETIRED PLANTATIONS AND LONG TERM PROGRAM OF REPLANTING AND NEW PLANTINGS FOR ABOUT 60,000 HECTARES. FOLLOWING GOVT'S DISCUSSIONS WITH BANK'S ECONOMIC-CUM-PROJECT IDENTIFI-

CATION MISSION LAST FEB, BOTH AGREED THAT FIRST STAGE REHABILITATION OF ABOUT 20,000 HECTARES SHOULD BE UNDERTAKEN IN GOVT-CONTROLLED AREAS.

7. PROPOSED TA WOULD FINANCE TEAM OF CONSULTANTS IN FIELDS OF AGRONOMY, RUBBER TECHNOLOGY, CIVIL ENGINEERING AND AGRICULTURAL ECONOMICS FOR TEN MAN-MONTHS OF SERVICES TO: (A) SURVEY CONDITIONS OF PLANTATIONS AND OUTLINE REHABILITATION PROGRAM; (B) DETERMINE MOST SUITABLE PROCESSING FACILITIES AND EXAMINE FEASIBILITY OF INTRODUCING A VIETNAMESE STANDARD RUBBER FOR INTERNATIONAL MARKET; (C) EVALUATE MARKET PROSPECTS AND REVIEW INTERNAL RUBBER EXPORT REGULATIONS AND POLICIES; (D) STUDY FEASIBILITY OF ESTABLISHING RUBBER PROCESSING CENTER AND OTHER RELATED INSTITUTIONAL FACILITIES FOR SMALLHOLDERS; (E) REVIEW FACILITIES FOR ADAPTIVE RESEARCH PROGRAMS AND EXTENSION SERVICES; (F) DRAW UP PLAN FOR PROJECT IMPLEMENTATION AT NATIONAL LEVEL AND IN PROJECT AREAS; (G) DEVELOP SUITABLE FINANCING SCHEME FOR SMALLHOLDERS AS WELL AS LARGE ESTATES; AND (H) CONDUCT COMPLETE FINANCIAL AND ECONOMIC PROJECT ANALYSIS.

8. MAJOR ACTIVITIES CONTEMPLATED FOR SUBSEQUENT REHABILITATION PROJECT WOULD INCLUDE CLEARANCE OF LAND; REPAIR OF ROADS AND BRIDGES; APPLICATION OF INPUTS; REPAIR, CONSTRUCTION AND INSTALLATION OF PROCESSING FACILITIES AND EQUIPMENT; REPAIR AND/OR CONSTRUCTION OF HOUSES, HOSPITALS, SCHOOLS, OFFICES AND COMMUNITY CENTERS; ESTABLISHMENT OF CREDIT AND MARKETING FACILITIES; AND ARRANGEMENTS FOR ADAPTIVE RESEARCH AND EXTENSION SERVICES. IT IS ANTICIPATED THAT A COORDINATING COMMITTEE WOULD BE SET UP BY DIRECTORATE-GENERAL OF AGRICULTURE WITH CREDIT TO BE CHanneled THROUGH AGRICULTURAL DEVELOPMENT BANK LIMITED OFFICIAL USE

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OF VIETNAM.

9. VIETNAM HAS FAVORABLE AGRICULTURAL AND CLIMATIC CONDITIONS FOR PRODUCTION OF NATURAL RUBBER AND HAS MANAGERIAL CAPACITY, TECHNICAL KNOWHOW AND EXPERIENCED LABOR. PROPOSED REHABILITATION PROGRAM WOULD PROVIDE CAPACITY FOR QUICKLY GENERATING FOREIGN EXCHANGE RESOURCES AND FOR PROVIDING EMPLOYMENT OPPORTUNITIES TO RURAL POPULATION. IN VIEW VIETNAM'S URGENT NEEDS FOR EMPLOYMENT, PRODUCTION AND EXPORT PRODUCTS, ITS TRADITIONAL ROLE AS RUBBER PRODUCER, AND ASSUMING IMPROVED PROSPECTS FOR NATURAL RUBBER INDUSTRY MATERIALIZE, USADB PREPARED TO SUPPORT TA PROPOSAL AND RECOMMENDS FAVORABLE NAC ACTION.

10. REQUEST SAIGON'S COMMENTS FOR NAC AGENCIES,
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